



MASSACHUSETTS
MEDICAL SOCIETY

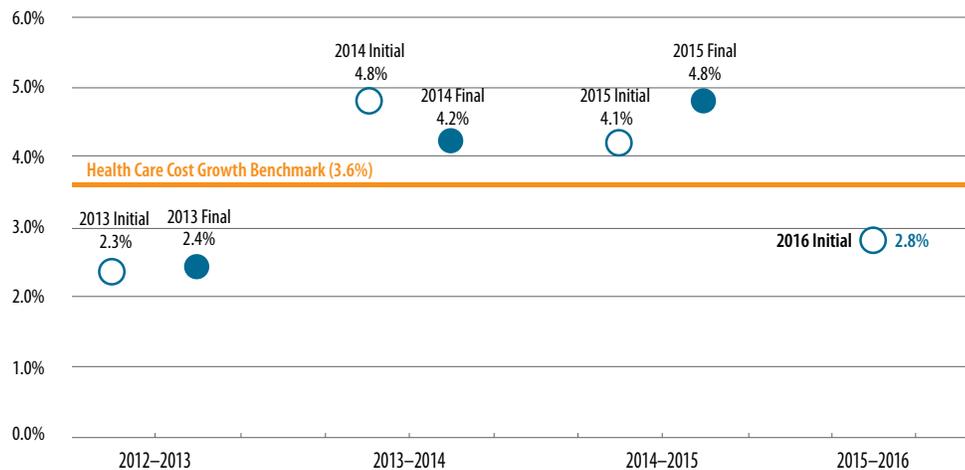
Holding the Line: How Massachusetts Physicians Are Containing Costs



INTRODUCTION

Massachusetts is a high-cost state for health care, and costs continue to rise. However, the Commonwealth's efforts to control costs are beginning to yield results. Total health care expenditures in Massachusetts increased at 2.8 percent in 2016, below the 3.6 percent health care cost growth benchmark set by the state (figure 1). And nationally, Massachusetts' efforts to control costs have resulted in a health care spending growth rate lower than all but three states (see figure 2). Physicians in Massachusetts play a central role in the state's efforts to contain costs and are demonstrating an ability to successfully manage and contain total medical costs as they continue to provide the highest quality of care for their patients.

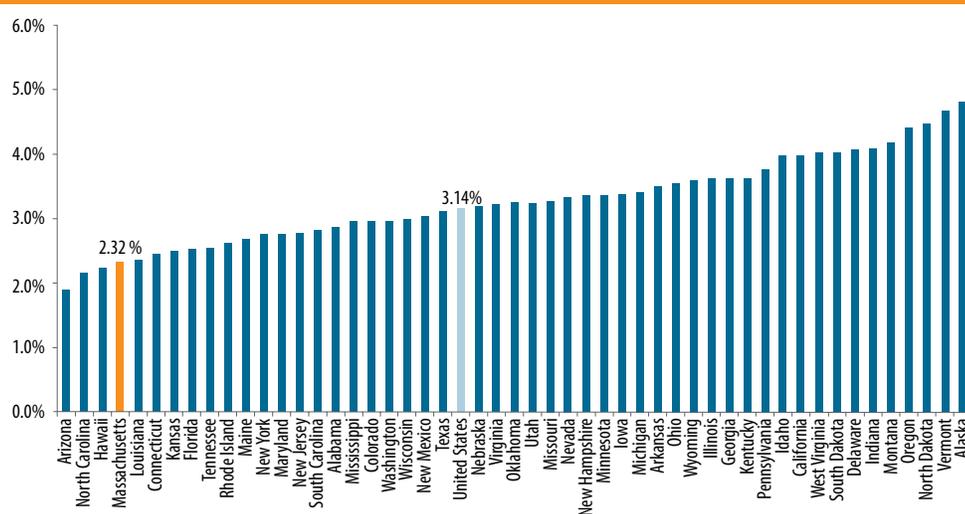
FIGURE 1. PER CAPITA TOTAL HEALTH CARE EXPENDITURES GROWTH, 2012–2015



The initial assessment of total health care expenditures per capita growth is 2.8% for 2016, below the health care cost growth benchmark.

Source: Total health care expenditures from payer-reported data to CHIA and other public sources. Inflation from the U.S. Bureau of Labor Statistics: Consumer Price Index 12-Month Percent Change. Gross State Product from U.S. Bureau of Economic Analysis: GDP by State in Current Dollars. Performance of the Massachusetts Health Care System Annual Report, September 2017, Center for Health Information and Analysis, page 11.

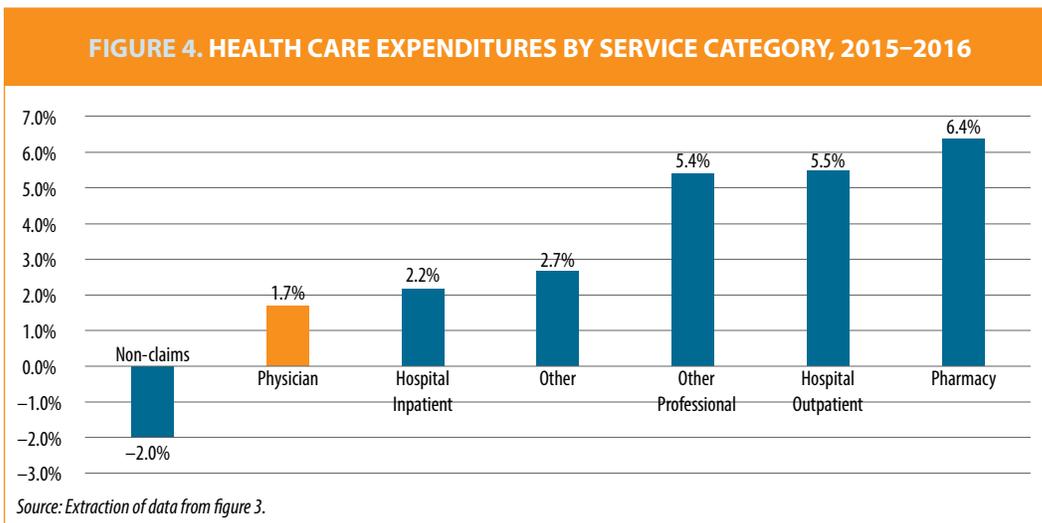
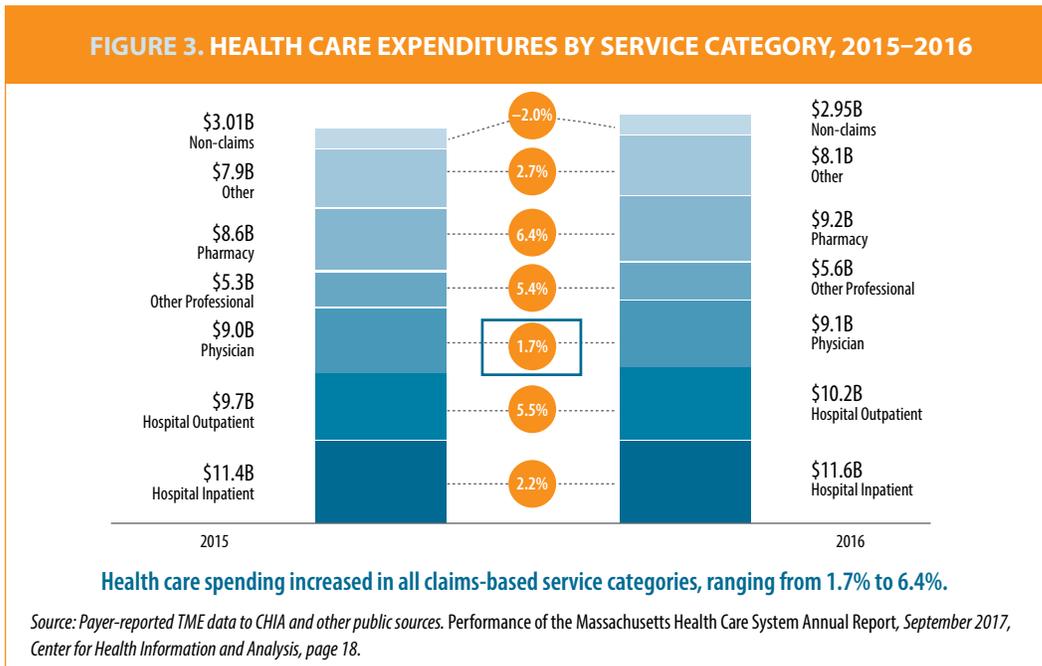
FIGURE 2. AVERAGE ANNUAL HEALTH SPENDING GROWTH, PER CAPITA, BY STATE, 2009–2014



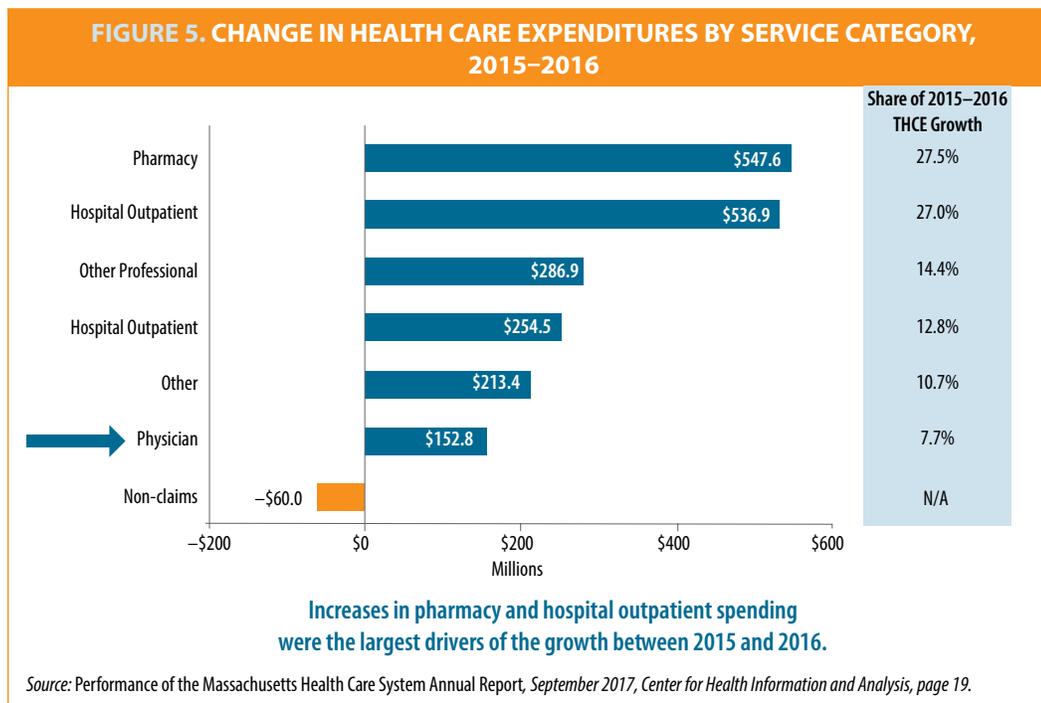
Source: Centers for Medicare and Medicaid Services, State Health Expenditure Accounts, 2009 and 2014.

PHYSICIAN COSTS

By any measure, physician costs in Massachusetts are rising very slowly over time. Total spending on physician services rose 1.7 percent in 2016, according to the Center for Health Information and Analysis (CHIA). There are various ways to put this growth rate in perspective. For example, it is lower than any of the other claims categories, including pharmacy, hospital, and other professional service category expenditures, as illustrated in the following two figures.



The growth in physician costs represented less than 8 percent of the total increase in spending, compared to almost 28 percent for pharmacy. The slow growth in physician spending is a major reason that Massachusetts beat its per capita health care-cost growth benchmark of 3.6 percent in 2016. As documented in CHIA reports from 2014, 2015, 2016, and 2017 (for more information, see www.massmed.org/chia), this was the fourth consecutive year that total medical expenses for physician services grew less than 2 percent, and grew slower than overall spending. The compounding effect of low physician-spending growth over the years means that physicians have been an even greater contributor to cost deceleration in the long run.

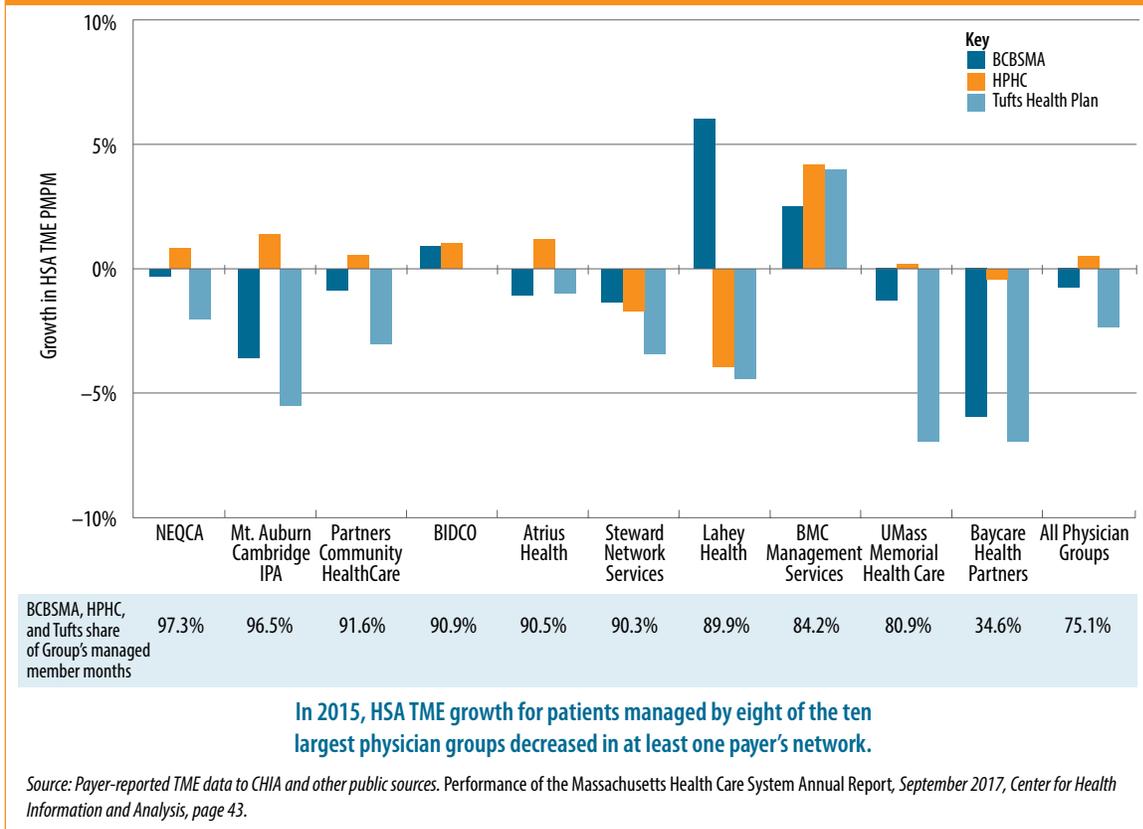


PHYSICIAN MANAGEMENT OF TME

When Massachusetts physicians have influence over the full spectrum of care (not just the care that occurs in their own offices), CHIA data shows that they are putting that influence to good use. CHIA analyzed total medical expense (TME) data submitted by the three leading insurers (Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, and Tufts Health Plan) to determine how costs are managed for members who must select a primary care physician, such as members in an HMO plan.

An impressive 8 of the 10 largest managing physician groups reduced health status adjusted (HSA) TME for at least two of the three health plans, and 2 of the 10 reduced TME for all three plans. In other words, when physicians bear more responsibility for overall patient management, they can actually effectively contain total spending, even in categories such as hospital and pharmacy costs that are ballooning at the aggregate level. This bodes well for the future as physician groups are increasingly reimbursed under alternative payment models (APMs) that emphasize PCP and specialist management of total patient costs or costs for specific episodes, such as a surgery (see figure 6).

FIGURE 6. MANAGING PHYSICIAN GROUP COMMERCIAL HEALTH STATUS ADJUSTED (HSA) TME, 2014–2015



ENHANCING QUALITY AND ACCESS WHILE CONTAINING COSTS

The MMS has supported reforms that are demonstrating success in limiting growth in health care spending. This includes establishing a statewide cost growth goal, development of health and cost outcomes scoreboards such as HPC reports, growth in alternative payment models that are adequately funded, improved price transparency, integration of behavioral health and primary care, decreasing unnecessary emergency room use and avoidable readmissions, and leveraging the American Board of Internal Medicine’s Choosing Wisely program as an opportunity for improvement.

In addition, the MMS works to educate Massachusetts residents and our public officials on the benefits of high-quality health care measures, such as prevention, screening, chronic disease management, and wellness programs, that improve care and produce value. The Society believes that universal access to care in Massachusetts is fully consistent with the Commonwealth’s cost containment objectives.

Despite these positive cost trends, the MMS recognizes that some patients are still struggling with health care costs that are often rising faster than wages. For example, CHIA data show that, despite high rates of insurance coverage, patient cost-sharing remains high, particularly for families with lower incomes. The MMS recognizes that reliance on high-deductible health plans has put significant strain on patients and families. The following section, **Moving Forward**, highlights some promising alternatives.

MOVING FORWARD

The Massachusetts Medical Society supports policies and programs that enhance quality-of-care and access for patients while containing costs. Massachusetts physicians will continue to help bend the cost curve in a variety of ways in the years ahead. In order to sustain progress in these areas, the Society advocates:

- **Continued growth and refinement of alternative payment models.** State and federal governments continue to promote alternative payment models to help coordinate care and reduce costs. The MMS supports continued growth of adequately funded alternative payment models. Physician leadership in the growth and refinement of these payment models will help ensure quality, coordinated, and integrated care.
- **Administrative simplification in quality measurement, prior authorization, and regulatory requirements.** Redundancy obligated by government and payers drives up time requirements, costs, and frustration without improving patient care. The MMS advocates for streamlined quality measurement across federal and state payers, and for reduced prior authorization requirements in all parts of health care delivery. There are significant opportunities to reduce regulatory burdens. For example, the Board of Registration in Medicine's proposed regulations from the summer of 2017 seek to increase the burdens in the licensure and credentialing process, as well as propose to create unnecessary burdens in clinical practice such as mandating written informed-consent processes.
- **Disciplined reporting of price and quality information while reducing redundancy.** The MMS supports price and quality transparency while advocating for a reduction in the redundancy of quality measurement. Price information must be coupled with health benefit plan information provided by health plans and/or via stakeholder-engaged comparative websites. Quality measurement must be streamlined to reduce collection costs and administrative burden.
- **Establishment of rational financial incentives for patients to seek high-value care, including payment for telemedicine/telehealth.** The MMS supports value-based insurance design (VBID) that has meaningful physician input. While government and employers look to tiered and limited networks, the MMS encourages the Commonwealth to also consider VBID plans, which are intended to improve access to high-value services for chronic care patients, including those with diabetes, asthma, hypertension, and vascular disease. (For more information, see MMS website at [www.massmed.org/Governance-and-Leadership/Policies,-Procedures-and-Bylaws/MMS-Policy-Compendium-\(pdf\)](http://www.massmed.org/Governance-and-Leadership/Policies,-Procedures-and-Bylaws/MMS-Policy-Compendium-(pdf)), page 42.) Telemedicine appeals to patients. It allows physicians to support medication adherence and to provide wrap-around care for medically complex patients. Payers are beginning to embrace this mode of care. Parity in payment is necessary to ensure continued adoption of these promising technologies.

- **Reducing the costs of prescription drugs.** The MMS has extensive and strong policy on a number of issues impacting the price of prescription drugs, including advocating for greater transparency regarding the impact of pharmaceutical companies, pharmacy benefit managers, and health insurance companies on the costs of production, distribution, and patients' out-of-pocket costs. The MMS supports regulatory reform to allow *march-in rights* under existing legislation to assure the availability of pharmaceuticals at fair and reasonable prices to consumers; to work with the Federal Trade Commission to limit anticompetitive behavior by pharmaceutical companies attempting to reduce competition from generic manufacturers through the manipulation of patent protections and abuse of regulatory exclusivity incentives; and closer scrutiny of relationships between pharmacy benefits managers and the pharmaceutical industry, so as to discourage arrangements that cause an increased cost, or decreased availability, of prescription drugs. The Society is also advocating for reform to allow Medicare to negotiate prescription costs.

CONCLUSION

Massachusetts health care costs are high and continue to rise. Yet physicians have played a central and sustained role in bending the cost curve, helping Massachusetts meet its cost growth benchmark and demonstrating the ability to control costs of other services. Physician costs rose significantly more slowly than overall costs in 2016, continuing a four-year trend.

The Massachusetts Medical Society supports physicians in their quest to deliver quality care in an efficient and cost-effective manner. The Society advocates a package of reforms that will enable continued progress. These include promotion of alternative payment models that are adequately funded; administrative simplification in quality measurement, prior authorization, and regulatory requirements; disciplined reporting of price and quality information while reducing redundancy; establishment of rational financial incentives for patients to seek high-value care, including payment for telemedicine/telehealth; and cost controls for prescription drugs.

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MASSACHUSETTS MEDICAL SOCIETY

860 WINTER STREET, WALTHAM, MA 02451-1411
TEL (781) 893-4610 TOLL-FREE (800) 322-2303 FAX (781) 893-8009 WWW.MASSMED.ORG